Government of
Saskatchewan

Annual Report
1988 - 89

The Saskatchewan Agriculture Returns Stabilization Fund

91-04372/

To Her Honor
The Honourable Sylvia Fedoruk
Lieutenant Governor
Province of Saskatchewan

Madam:

I have the honour to submit the Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund for the twelve months ending March 31, 1989.

I have the honour to be, Madam,
Your obedient servant,

Harold Martens
Associate Minister of
Agriculture and Food

Honourable Harold Martens
Associate Minister of
Agriculture and Food

Dear Sir:

It is my pleasure to present the Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund for the twelve months ending March 31, 1989.

Respectfully submitted,

Deputy Minister
of Agriculture

Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund 1988 - 1989

The Fund

The Saskatchewan Agricultural Returns Stabilization Fund was established pursuant to Section 5 of the Saskatchewan Agricultural Returns Stabilization Act. The Fund was established to carry out programs established under the Act.

The Fund has separate accounts for each market insurance program established pursuant to the Act. In 1988/89 the Fund had three accounts for the three market insurance plans. The accounts were:

a) the cow calf to finish account for the cow calf to finish market insurance plan,

b) the feeder finish account for the feeder finish market insurance plan, and

c) the Saskatchewan Hog Assured Returns Program account for the Saskatchewan Hog Assured Returns Program (SHARP).

Each account obtains revenue from levies assessed on eligible animals sold by participating producers. The levies paid by participating producers are matched by the Government of Saskatchewan. Whenever the plans make any payouts, they are made from the account. Each account earns interest on fund balances and pays interest on fund deficits.

When an account does not have a sufficient balance to make a payment, it can borrow money from the Consolidated Fund of the Province. The terms and conditions of these loans are determined by the Lieutenant Governor in Council.

Accounts in the Fund

1. Cow Calf to Finish Account

The cow calf to finish market insurance plan provides protection to producers who have a cow herd and finish their calves for slaughter. The support level is calculated on the basis of a cost of production model and includes all cash costs plus 50% of non cash costs.

Enrollment is based on the cow herd with payments based on actual marketings up to a maximum of 90% of the enrolled cow herd. The maximum enrollment is 200 slaughter animals per operator up to a maximum of 3 operators per production unit.

The plan is funded by a levy on slaughter animals. The long term levy is 4% of the value of the slaughter animal matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy has been at 6% since 1983 due to the large deficit.

Saskatchewan announced its intention to join the national tripartite plan for beef on December 30, 1988. Saskatchewan signed the federal/provincial agreement to officially join the tripartite plan on February 9, 1989. Coverage under the tripartite beef plan is retroactive to October 1, 1988. As a result of joining the tripartite plan, the cow calf to finish market insurance plan is being phased down starting April 1, 1989 and will be terminated at some future date.

2. Feeder Finish Account

The feeder finish market insurance plan provides protection to Saskatchewan residents who own or purchase feeder cattle and finish them for slaughter. The support level is calculated on the basis of a cost of production model for a 650 lb. steer finished to 1,050 lbs. The support formula is calculated as 95% of the sum of all cash and non cash costs.

The maximum enrollment is based on whether the resident is a feedlot operator or a custom feeder. The maximum finished cattle for any resident is 5,000.

The plan is funded by a levy on slaughter animals. The long term levy is 2% of the value of a slaughter animal matched by the Government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy for 1988-89 was 3.0% due to the deficit in the account. The decision to join the national tripartite stabilization, as described previously, will also impact on this plan. It is being phased out starting April 1, 1989 and will be terminated at some future date.

3. SHARP Account

The Saskatchewan Hog Assured Returns Program provides protection to producers who finish hogs for slaughter. The support level is calculated on the basis of a cost of production model for a 65 sow farrow to finish operation. All cash costs and 75% of non cash costs are included in the support formula.

Enrollment is based on the production unit which finishes hogs. The maximum enrollment is 1,500 hogs per quarter per production unit.

The plan is funded by a levy on finished hog. The long term levy is 3% of the value of a finished hog, matched by the Government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy for 1987-88 was 4.5%.

Saskatchewan joined the national tripartite stabilization plan for hogs on January 1, 1986. As a consequence of joining the national tripartite plan, the level of support offered by SHARP will reduce until the plan is terminated on March 31, 1991.

Plan Operations

Slaughter Cattle Plans

Slaughter cattle prices declined from levels of a year ago for three quarters out of four in 1987-88. Payouts were made in every quarter under both the cow calf to finish plan and the feeder finish plan. The payouts in the cow calf plan remained very low and the level of enrollment declined substantially reflecting the reduced number of participants as the six year contracts expire.

The payouts in the feeder finish plan were large due to both high feeder prices and high feeding costs due, in part, to the drought. The number of animals stabilized also increased substantially due to increased feeding in the province.

Cow Calf to Finish Plan

	1988			1989
	Q2	Q3	Q4	Q1
Slaughter cattle covered	9480	10,434	4,071	2,473
Support price[1] $/lb.	1.4083	1.4353	1.4717	1.5246
Market price[1] $/lb.	1.4271	1.3387	1.4002	1.5055
Average payout[1] $/lb.	.0128	.0998	.0632*	.0299*

[1]/ basis rail grade hot carcass weight

Feeder Finish Plan

	1988			1989
	Q2	Q3	Q4	Q1
Slaughter cattle covered	74,842	78,500	65,484	64,350
Support price [1] $/lb.	1.6572	1.6384	1.6469	1.6352
Market price [1] $/lb.	1.4271	1.3387	1.4002	1.5055
Average payout [1] $/lb.	.2334	.2966	.2491*	.2491*

[1]/ basis rail grade hot carcass weight

* average payout to a participant who did not join the tripartite plan. The payment to a participant who joined the tripartite plan would be reduced by any tripartite payment.

Hog Plan

SHARP made payouts all four quarters of 1988/89 due to substantially lower hog prices. Payments were small due to the phase over to the national tripartite plan for hogs.

	1988			1989
	Q2	Q3	Q4	Q1
Hogs in plan	178,922	186,111	182,287	195,355
Support price [1] $/lb. dressed	69.62	74.06	78.85	81.92
Market price [1] $/lb. dressed	67.95	59.20	53.18	53.16
Average payout [1] $/lb. dressed*	2.84	.62	2.24	3.58

* reduced due to phase over provisions to join tripartite

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

FINANCIAL STATEMENTS

Year Ended March 31, 1989

OFFICE OF THE PROVINCIAL AUDITOR

REGINA, SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have examined the balance sheet of the Saskatchewan Agricultural Returns Stabilization Fund as at March 31, 1989 and the statements of revenue, expenditure and fund balance and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
May 15, 1990

G. F. Wendel, C.A.
A/Provincial Auditor

Statement 1

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND
BALANCE SHEET
As at March 31

	1989				1988
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	
ASSETS					
Cash	$ 35,685	$243,435	$2,215,150	$2,494,270	$ 770,792
Accounts receivable:					
- Department of Agriculture and Food	191,582	1,287,056	1,600,968	3,079,606	3,432,883
- Saskatchewan Pork Producers Marketing Board	238,088	---	---	238,088	243,642
- Producers	355	263,990	264,062	528,407	1,105,303
- Saskatchewan Beef Stabilization Board - producers trust account	---	113,730	1,275,916	1,389,646	798,050
- Saskatchewan Agricultural Returns Stabilization Fund - Feeder Finish Market Insurance Plan	---	8,845	---	8,845	7,880
- Agriculture Stabilization Board (Canada)	---	45,742	248,939	294,681	---
Accrued interest receivable	336	2,543	45,332	48,211	7,805
	$ 466,046	$ 1,965,341	$ 5,650,367	$ 8,081,754	$ 6,366,355
LIABILITIES AND FUND BALANCE					
Liabilities:					
Stabilization payable to producers	$ 1,829,599	$ 38,867	$ 5,833,841	$ 7,702,307	$ 12,042,927
Loans - Department of Agriculture and Food (Note 1(d))	26,204,316	45,378,720	51,097,537	122,680,573	82,773,361
Accrued interest payable	2,603,837	1,680,022	2,067,503	6,351,362	2,960,089
Due to Cow Calf To Finish Market Insurance Plan	---	---	8,845	8,845	7,880
Fund Balance:					
(Fund deficiency) - Statement 2 (Notes 5 and 6)	(30,171,706)	(45,132,268)	(53,357,359)	(128,661,333)	(91,417,902)
	$ 466,046	$ 1,965,341	$ 5,650,367	$ 8,081,754	$ 6,366,355

(See accompanying notes to the financial statement)

Statement 2

SASKATCHEWAN AGRICULTURE RETURNS STABILIZATION FUND
STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCE
For the Year Ended March 31

	1989				1988
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	
Revenue					
Producer contributions	$ 797,774	$ 1,621,304	$ 7,250,005	$ 9,669,083	$ 10,328,869
Department of Agriculture and Food	797,774	1,621,304	7,250,005	9,669,083	10,328,869
Interest	2,674	51,124	278,544	332,342	179,986
	1,598,222	3,293,732	14,778,554	19,670,508	20,837,724
Expenditure					
Stabilization to producers	4,321,807	836,234	38,985,221	44,143,262	25,420,383
Loan interest	2,603,837	3,318,322	3,212,993	9,135,152	6,092,704
Tripartite (Note 4)	---	5,200	2,768,900	2,774,100	---
Loss on commodity trading	---	---	461,585	461,585	---
Bad debt expense	---	372,796	18,712	391,508	127,178
Other	5,448	2,642	242	8,332	5,904
	6,931,092	4,535,194	45,447,653	56,913,939	31,646,169
(Deficiency) of revenue over expenditure	(5,332,870)	(1,241,462)	(30,669,099)	(37,243,431)	(10,808,445)
Fund balance (deficiency), beginning of year	(24,838,836)	(43,890,806)	(22,688,260)	(91,417,902)	(80,609,457)
Fund balance (deficiency), end of year (Notes 5 and 6)	$(30,171,706)	$(45,132,268)	$(53,357,359)	$(128,661,333)	$(91,417,902)

(See accompanying notes to the financial statement)

Statement 3

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31

	1989	1988
Cash from (used in) operations:		
(Deficiency) of revenue over expenditure	$(37,243,431)	$(10,808,445)
Net change in non-cash working capital balance	(940,303)	7,794,855
Cash used in operations	(38,183,734)	(3,013,590)
Cash provided by financing activities:		
Increase in loans advanced from the Department of Agriculture and Food	39,907,212	1,264,103
Net increase (decrease) in cash during the year	1,723,478	(1,749,487)
Cash, beginning of year	770,792	2,520,279
Cash, end of year	$ 2,494,270	$ 770,792

(See accompanying notes to the financial statement)

SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1989

1. Accounting Policies

These financial statements are prepared on the accrual basis of accounting. The following are the other significant accounting policies:

a) Revenue Recognition

Producer contributions and government contributions are recognized on the basis of slaughter date.

b) Government Contributions

In accordance with Section 6(2) of The Saskatchewan Hog Assured Returns Program Regulations, 1983 and in accordance with Section 7(2) of both The Cow Calf to Finish Market Insurance Plan Regulations and The Feeder Finish Market Insurance Plan Regulations, the Department of Agriculture and Food from money appropriated under the Act, contributes a matching amount equal to the total of levies charged to participants.

c) Distributions on Termination (Note 5 and 6)

Provision is made in Section 4 of the regulations for distribution of the fund balance when the program is ended. The deficit, as determined by regulation, will be repaid by the Department of Agriculture and Food from money appropriated under The Agricultural Returns Stabilization Act (hereafter referred to as the Act).

d) Loans from the Department of Agriculture and Food

The following loans from the Department of Agriculture and Food can not be repaid from the future operations of the Fund and as a consequence they have been fully provided for in the financial statements of the Consolidated Fund. However, to maintain accountability of the stabilization programs, these loans are reflected in these financial statements at their carrying value.

i) Saskatchewan Hog Assured Returns Program

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 288/86 authorized loans not exceeding $35 million to be made to the Fund which will bear interest at a rate calculated April 1 and October 1 each year based on the preceding six month average cost of money to the Consolidated Fund for that period.

ii) Cow Calf to Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 1040/85 authorized loans not exceeding $50 million to be made to the Beef Stabilization Account which will bear interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Province for each six month period. Order-in-Council 790/85 provides that no interest is charged on the first $13,127,303 of the loan.

iii) Feeder Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 989/88 authorized loans not exceeding $60 million to be made to the Beef Stabilization Account which will bear interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Province for each six month period.

2. Authority

The Saskatchewan Agricultural Returns Stabilization Fund was established by The Saskatchewan Agricultural Returns Stabilization Act to carry out the following programs established by the Lieutenant Governor in Council to stabilize returns to producers:

i) Saskatchewan Hog Assured Returns Program (SHARP)

This program was established in 1976 under regulations issued pursuant to The Saskatchewan Agricultural Returns Stabilization Act. These regulations have been revoked and the program continues under The Saskatchewan Hog Assured Returns Program Regulations, 1983 (Order-in-Council 998/83) effective July 1, 1983.

ii) Cow Calf to Finish Market Insurance Plan

This Plan was established under regulations authorized by Order-in-Council 457/83 pursuant to The Saskatchewan Agricultural Returns Stabilization Act.

iii) Feeder Finish Market Insurance Plan

This Plan was established under regulations authorized by Order-in-Council 456/83 pursuant to The Saskatchewan Agricultural Returns Stabilization Act.

3. Related Party Transactions

Administrative Expenses

The Saskatchewan Hog Assured Returns Program (SHARP) is administered by the Saskatchewan Pork Producers Marketing Board. No costs for the administration of SHARP are included in these financial statements.

The Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan are administered by the Saskatchewan Beef Stabilization Board. No costs for the administration of the Cow Calf and Feeder Finish Market Insurance Plans are included in these financial statements.

4. Tripartite

Under the Letter of Understanding which finalized Saskatchewan's entry into the National Tripartite Price Stabilization Scheme for Feeder Calves, Feeder Cattle and Slaughter Cattle, the Government of Saskatchewan agreed to pay the Agriculture Stabilization Board (Canada) the excess of:

1) the amount of stabilization paid to producers under the Feeder Finish and Cow Calf to Finish Market Insurance Plans on animals marketed after October 1, 1988 over,

2) the amount of stabilization that was agreed to be paid for these animals under the Bridging Agreement dated February 9, 1989.

5. SHARP Phase-out

The Government of Saskatchewan has joined a national tripartite price stabilization scheme for hogs. The agreement calls for a complete phase-out of SHARP over the five years commencing April 1, 1986.

6. Subsequent Event

On February 9, 1989, the Minister of Agriculture and Food signed the National Tripartite Price Stabilization Scheme for Feeder Calves, Feeder Cattle and Slaughter Cattle. As a consequence, the Saskatchewan Feeder Finish and Cow Calf to Finish Market Insurance Plans are being phased out. The Feeder Finish Market Insurance Plan was terminated on September 30, 1989. The Cow Calf to Finish Market Insurance Plan was terminated on March 31, 1990.